

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 09964 201156Z

53

ACTION EA-14

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

COME-00 OPIC-12 FRB-03 CIAE-00 INR-11 NSAE-00 DRC-01

/124 W

----- 125722

R 201008Z AUG 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 6176

LIMITED OFFICIAL USE MANILA 9964

E.O. 11652: N/A

TAGS: EGEN, EFIN, RP, US

SUBJECT: INSURANCE REGULATIONS

REF: A. STATE 179991 B. MANILA 9698

SUMMARY. HEARINGS ON PROPOSAL FOR DOMESTIC INCORPORATION
FOF FOREIGN INSURANCE COMPANIES WERE HELD AUGUST 14 AS
SCHEDULED WITH REPRESENTATIVES OF LOCAL FIRMS SURFACING
ISSUE OF FILIPINIZATION. HEARING REACHED NO CONCLUSION
BUT FOREIGN AND LOCAL FIRMS WERE INVITED PRESENT WRITTEN
BRIEFS PRIOR TO SECOND HEARING SCHEDULED FOR AUG. 28.
IN AUG. 17 TALK WITH SECRETARY FINANCE ECON/COMMERCIAL
COUNSELOR NOTED U.S. FIRMS TROUBLED BY DOMESTICATION
PROPOSAL AND TALK OF FILIPINIZATION. VIRATA ACKNOWLEDGED
FILIPINIZATION PRESSURES DO EXIST BUT NOTED DOMESTICATION
NOT EXPECTED POSE MAJOR PROBLEMS FOR FOREIGN FIRMS. HOPE-
FULLY, UMS. CAN LIMIT NEAR TERM GOP ACTIONS TO DOMESTICATION.
EXTENT TO WHICH EFFORTS TO CHALLENGE DOMESTICATION SHOULD
BE MADE WILL DEPEND IN PART ON U.S. PRACTICE ABOUT WHICH
DEPARTMENT IS REQUESTED TO PROVIDE FURTHER INFORMATION.
END SUMMARY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 09964 201156Z

1. PUBLIC HEARINGS ON PROPOSED PROVISION IN DRAFT INSUR-

ANCE CODE REQUIRING DOMESTIC INCORPORATION OF FOREIGN COMPANIES WAS HELD AUGUST 14 AS SCHEDULED. INVITATIONS TO HEARINGS CONTAINED TEXT OF PROPOSED PROVISION WHICH WOULD PROHIBIT THE INSURANCE COMMISSIONER FROM ISSUING A CERTIFICATE OF AUTHORITY TO FOREIGN COMPANIES TO CARRY ON DIRECT INSURANCE OPERATIONS IN THE PHILIPPINES AFTER JUNE 30, 1977. DEFINITION SECTION OF DRAFT CODE DEFINES FOREIGN COMPANY AS COMPANY INCORPORATED OUTSIDE THE PHILIPPINES.

2. ALTHOUGH INSURANCE COMMISSIONER MRS. GREGORIA ARNALDO WAS PRESENT FOR HEARING, HER SPECIAL ASSISTANT, MR. ARMANDO ANSALDO, PRESIDED. MR. ANSALDO STATED HIS INTENT TO CONFINE HEARINGS TO ISSUE OF QUOTE DOMESTICATION UNQUOTE RAISED BY THE PROPOSED ADDITION TO DRAFT CODE. DESPITE HIS STATED INTENTIONS, ISSUE OF FILIPINIZATION SURFACED WITH LEADING ADVOCATE FORMER CONCON DELEGATE LOCSIN OF PIONEER INSURANCE CORPORATION, ONE OF THE FIVE LARGEST PHILIPPINE NON-LIFE INSURANCE FIRMS. LOCSIN REFERRED TO SECTION 3 ARTICLE 14 OF THE PHILIPPINE CONSTITUTION REGARDING THE RESERVATION OF TRADITIONAL INDUSTRIES TO FILIPINOS. LOCSIN, WHO WAS CHAIRMAN OF BANKING, FINANCE AND INSURANCE SUB-COMMITTEE AT CONSTITUTIONAL CONVENTION, ARGUED INTENT OF SECTION 3 WAS TO PROVIDE BASIS FOR LATER LEGISLATIVE ACTION TO RESERVE SPECIFIC INDUSTRIES TO FILIPINOS. ANSALDO STATED THE OFFICE OF THE INSURANCE COMMISSIONER WOULD REQUEST ADVICE FROM THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY, THE AGENCY CHARGED WITH MAKING RECOMMENDATIONS TO THE LEGISLATIVE BODY ON SECTORS COVERED BY SECTION 3, ON THE APPLICABILITY OF SECTION 3 TO THE INSURANCE INDUSTRY. INSURANCE COMPANIES WERE ASKED TO PROVIDE ADDITIONAL PAPERS WITHIN TEN DAYS AND ANOTHER HEARING WAS SCHEDULED FOR AUGUST 28. COMPANY REPS ARE MEETING THIS WEEK ON DEVELOPMENT UNIFIED PRESENTATION.

3. IN MEETINGS WITH EMBASSY OFFICERS SUBSEQUENT TO HEARING, REPRESENTATIVES OF AFIA, AIU AND PHIL-AM GROUP EXPRESSED THEIR CONCERN ABOUT DEVELOPMENTS IN HEARING AND THEIR FEAR THAT HEARING IS PART OF CAREFULLY LAID PHILIPPINE PLAN TO MOVE TOWARD FILIPINIZATION OF FOREIGN-OWNED COMPANIES, EVEN THOUGH LANGUAGE OF PROPOSED CHANGE IN LAW DOES NOT COVER THIS POSSIBILITY, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 09964 201156Z

STICKING ENTIRELY TO DOMESTICATION. WHILE FIRMS INTEND TO CONTINUE THRIE REPRESENTATIONS TO GOP AND ARE SEEKING ADDITIONAL SUPPORT FROM REPRESENTATIVES OF FOREIGN BANKS THEY URGE EMBASSY REPRESENTATIONS TO GOP AS WELL.

4. ALTHOUGH INFORMATION STILL SKETCHY, ECON/COMMERCIAL COUNSELOR TOOK OPPORTUNITY PRESENTED BY AUG. 17 LUNCHEON ENCOUNTER WITH SECRETARY OF FINANCE VIRATA TO INFORM THE

SECRETARY OF THE FOREGOING CONCERNS OF AMERICAN INSURANCE COMPANIES. ARNOLD NOTED THAT RECENT TREND OF DISCUSSION APPEARED THREATEN SIGNIFICANT HARM TO CONFIDENCE OF FOREIGN INSURANCE COMPANIES AND TO PHILIPPINES INVESTMENT CLIMATE EVEN UNDER BENIGN ASSUMPTIONS REGARDING GOP INTENTIONS. SECRETARY VIRATA OQPESWWV THAT
GJF

ENSKGS INEVITABLY
INVITE EXPRESSION OF NATIONALISTIC SENTIMENTS BUT THAT THE GOP FELT COMPELLED TO SCHEDULE THEM IN VIEW OF REQUEST FROM CANADIAN AMBASSADOR TO PROVIDE OPPORTUNITY FOR OPEN EXPRESSION OF VIEWS.

5. COMMENT. VIRATA SAID IN EFFECT THAT DOMESTICATION OF INSURANCE FIRMS WAS A MINIMUM TARGET OF THE PROPOSED CHANGE, BUT HE DID NOT PURSUE FILIPINIZATION. HE SEEMED TO FEEL THAT STEPS NEEDED TO DOMESTICATE WERE FEW, DUE TO MAJOR MOVES MOST FIRMS ALREADY HAVE MADE TOWARD MEETING LOCAL REQUIREMENTS (SECURITY DEPOSITS, ETC.). EMBASSY HAS TAKEN VIEW THAT STEPS RELATED TO DOMESTICATION ARE NOT IN THEMSELVES EITHER ONEROXWXIWA NUSUAL. IT IS, THEREFORE, DIFFICULT TO MOUNT A STRONG ARGUMENT AGAINST THESE STEPS PER SE. A STIFF ATTITUDE TOWARD COMPLETION OF THESE STEPS WOULD BE LIKELY TO AROUSE ONLY SUSPICION AND IRRITATION ON PHIL SIDE. FIRMS ARE PROBABLY RIGHT IN FEELING THAT ISSUE EVENTUALLY WILL COME TO FILIPINIZATION OF EQUITY. WE HAVE INDICATED TO MANY VISITORS, INCLUDING GREENBURG, THAT A LOCAL EQUITY REQUIREMENT IS IN OUR JUDGMENT ONLY A MATTER OF TIME. NO BASIC CHANGE IN LONG RUN FILIPINO ATTITUDE IS REFLECTED IN SURFACING OF MATTER AT THIS TIME, ALTHOUGH WE CANNOT RELE OUT A ROLE FOR THIS POSSIBLE TRIAL BALLOON IN PHILIPPINE PREPARATION FOR ECONOMIC TALKS. RUG
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MANILA 09964 201156Z

MERCHANTING WITH A THREAD OF NATIONAL SENTIMENT IS A RESPECTED FILIPINO WAY OF DOING BUSINESS. AS FOR HOW FAR MATTERS GO, WE VELIEVE GOOD EFFORT SHOULD BE MADE TO KEEP NEAR-TERM RESULT TO DOMESTICATION. IN MEANTIME, WE WOULD GREATLY APPRECIATE A PROFILE OF U.S. PRACTICE ON REQUIRED QUALIFYING ACTIONS OF FOREIGN INSURANCE COMPANIES DOING BUSINESS IN U.S.

6. EMBASSY WILL CONTINUE TO FOLLOW DEVELOPMENTS AND WILL REPORT TO DEPARTMENTM COPY OF INDUSTRY POSITION PAPER RECEIVED AUGUST 19 BEING POUCHED EA/PHL.
SULLIVAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSURANCE, INSURANCE LAW, FOREIGN INVESTMENTS, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MANILA09964
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740229-0083
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740834/aaaabclr.tel
Line Count: 166
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. STATE 179991 B. MANILA 9698
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 08 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08-Aug-2002 by worrelsw>; APPROVED <03 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INSURANCE REGULATIONS
TAGS: EGEN, EFIN, RP, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005